

Interesting
Facts about
KROGER
STORES



THE KROGER GROCERY
AND BAKING COMPANY

Information Lost about KILLER 20 YEARS

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To those who want quality foods at Low Prices



This little booklet tells interesting facts about the Kroger organization and its system of business. It explains why Kroger Stores are able to sell goods of high quality at much lower prices than one would expect to pay.



THE KROGER POLICY



Back in 1883, Mr. B. H. Kroger opened a grocery store. Nothing strange about that, for thousands of men have started in the retail grocery business. Many failed. Some succeeded.

But Mr. Kroger had a special knack for running a grocery. He knew how to attract and hold an unusual number of customers. More and more people traded at his store.

The Kroger Principle of Operation

When he found that he had made a success in his first store, the thought came to him that surely he could duplicate that success in two stores—three, four, and more. If he were successful it would give him larger buying power. This buying power would enable him to take advantage of quantity prices, which in turn he could pass on to his customers. Then, too, he could afford to sell for less on a larger volume of business, because he would not need to make so much profit from each individual sale. It would enable him to turn over his merchandise faster, deliver

it fresher into the customer's hands, and in every way satisfy those customers. He could offer them the very highest quality merchandise at lower prices.

These principles of volume buying, rapid turnover, fresh merchandise, high quality and low prices, quickly and steadily built the Kroger business.

The present volume of Kroger business enables the management to carry out the original Kroger idea far more effectively than was possible when Mr. Kroger operated his first store.

We Buy at the Source

Kroger Stores are now so organized that middlemen's services are unnecessary. We go direct to producers for such goods as are not made in our own bakeries, canneries, packing houses, and other manufacturing plants. In this way we avoid paying brokers and wholesalers for the expensive service of procuring, transporting, storing, and making available the merchandise handled in Kroger Stores. Our customers enjoy the benefit of these savings in the form of low prices.

Immense Purchases

The Kroger organization buys whole crops, the complete outputs of factories,

and large portions of producers' stocks all over the world, wherever the best is grown.

These huge purchases are shipped direct to centrally located Kroger warehouses in full carloads; yes, even whole trainloads. And when goods come from foreign countries, Kroger consignments make big cargoes. There's no shipping of Kroger stocks in small lots which necessitate the payment of high freight rates.

But minimum transportation expense is only one effect of Kroger quantity buying. This great volume of buying is also beneficial to producers, for it affords them a large, certain outlet for their wares, with immediate cash payments, thus reducing their selling and operating costs and losses on accounts.

A Splendid Market for Producers

Moreover, the producer of high-grade goods finds in the Kroger organization a definite and financially responsible market at fair prices. This affords the producing element an exceedingly desirable form of co-operation in reaching consumers by the hundreds of thousands. It gives distribution to goods which might otherwise find either no outlet or very unsatisfactory ones.

So the vast market offered by the Kroger Stores is an economic good to producers and thereby to the country in general. It helps to create the unusually high standard of living found in America as in no other country on the globe.

At the same time that the Kroger system benefits producers it also brings better values to the consuming public. Thus a great many people are made happier and more prosperous. Consequently, the Kroger system is a sound and beneficent contribution to American society.

Strict Quality Standards

Since Kroger's orders are important and highly desirable, producers strive to please the Kroger Buying Department by delivering goods of the best grade. The Kroger System enforces the maintenance of quality standards.

There are more than two hundred people connected with the Kroger Buying Department. The principles of buying established by Mr. B. H. Kroger are followed. It was the practice of Mr. Kroger in purchasing canned goods, for example, to tear the labels from the sample cans so that he would not be influenced in his choice of quality.

Each salesman was required to open up his samples with the labels removed. The order went to the salesman whose samples satisfied Mr. Kroger's ideas of quality. And these same ideas will always be followed by Kroger buyers.

Whatever the nature of the product, Kroger buyers must be convinced that the quality is right before they will make a purchase. *And they often pay a premium to get the quality they demand.*

When the purchase is made the processes of manufacturing or packing are carefully supervised. Then, before final delivery is made, final samples are thoroughly tested in the Kroger laboratories—and goods are positively rejected if they do not fully measure up to the quality specified.

More than this, Kroger dieticians test the food in the Kroger Kitchen. The same methods are employed as those used by the practical housewife. Recipes and menus are prepared. This service further proves the quality of the food products handled at Kroger Stores. There is no question about Kroger quality, notwithstanding the low prices at which the Kroger organization sells.

Standards Carefully Followed

Based upon the principle of giving the best service to customers, the Kroger system begins functioning at the very root of food distribution; that is, the selection of goods. It is our policy to anticipate what the public wants. Then we respond to the expressions of preference made by the public. We determine what our customers like best and bend our efforts toward meeting that demand.

Our Merchandise Department keeps a careful check on the kind of goods which Kroger customers prefer. The information is passed on to Kroger buyers and this guides in the selection of goods.

By stocking only merchandise which moves quickly, we avoid carrying odds and ends of "shelf warmers." Thus needless investment and considerable overhead cost is prevented, and we are always able to deliver fresh, clean goods to our customers.

KROGER AND YOUR COMMUNITY



We've told you something about the policies upon which the Kroger business operates. We've told you how Kroger goes direct to the source of supply for its foods and merchandise; how this enables Kroger buyers to choose the cream of the crops and to guarantee uniformly high quality of everything Kroger sells. We've told you how Kroger buys in huge quantities—whole crops, orchards, trainloads, shiploads, at a time; how this produce is shipped to centrally located Kroger warehouses; and from there distributed *as needed* direct to Kroger Stores. We've told you this direct line *from producer to you*, eliminates waste and cuts out unnecessary expense for handling; and that these savings are passed on to you in lower prices.

But, in addition to what Kroger is doing to give you better foods for less money, Kroger Stores have a very definite place in your community life. We recognize that this is sometimes questioned by those who do not understand our plan of merchandising. Therefore in the interests of our present

and future customers, and in justice to ourselves, we want to give you the answers to the questions most frequently asked.

Questions and Answers

QUESTION 1—*Do Kroger Stores take money out of the community?*

ANSWER—Yes. So does every other merchant take money out of the community.

It is a mistake to assume that a dollar spent in a Kroger Store is immediately sent elsewhere, and that a dollar spent with another merchant remains in the community.

In the first place, that part of a dollar spent with any merchant which has to go to pay for the cost of the merchandise does leave the community immediately to pay that cost. But when your merchant pays the distant grower, packer or manufacturer for the goods he bought, they send the money back by purchasing things produced in the merchant's community. That holds good in any business. That part of the dollar goes into circulation, all over the country—north, east, south, and west. It eventually comes back to the place from which it started.

Not since the day Columbus discovered America has family and com-

munity life been self-sustaining or complete in itself.

People then enjoyed very few things other than what they produced themselves. *How different today, when the whole nation is one community.*

Grand Rapids furniture, Detroit automobiles, St. Louis shoes, Pittsburgh steel, and food from farms from coast to coast—directly or indirectly, what would happen to your income if the factories and farms of your community could distribute their products *only* to the people in your immediate neighborhood?

That part of the consumer's dollar which goes for the cost of merchandise never stays in the community where it is spent, no matter who gets it. Now, the interesting fact is that in dealing with a Kroger Store *less* of your money goes directly out of town because Kroger Stores pass savings on to you, the consumer.

It is a fact that Kroger Stores not only start with lower first costs because of quantity purchases, but operate on smaller margins or "mark-up." Consequently, you get the merchandise for 10, 15, and often 20 per cent less than you otherwise would.

The consumer dollar in a Kroger Store

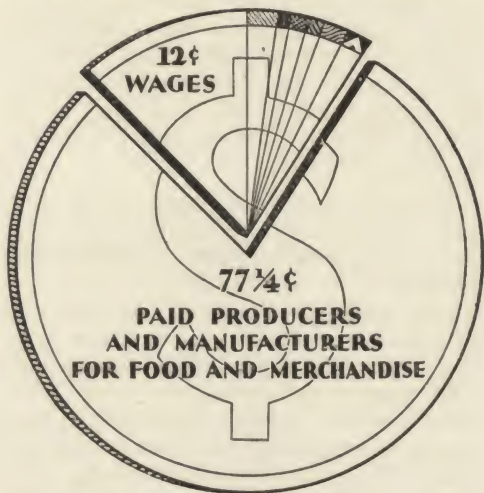
goes further, therefore, so that in proportion to the money spent more remains in the community.







A part of the dollar spent in a Kroger Store remains right in the community to pay for wages, rent, taxes, and for light, water, coal, donations to charitable institutions, and for the many things which the community supplies the Kroger Stores.

Another very small part of the dollar—in fact, only $2\frac{1}{4}$ cents of the dollar—is our profit. Out of this is paid dividends to stockholders, many of whom may live in your own town. You may be one of them. These dividends represent profit to the individuals who have confidence to invest their money in the Kroger Business. These profits or dividends are used in various ways. Some of the stockholders buy homes, radios, and other luxuries and necessities which you may help produce or sell.

Many communities have found that we send far more money into their community through the purchases which we make from producers living in and around those communities than the Kroger Stores receive in business. Here is a chart which shows how a dollar spent at the Kroger Stores is distributed.

Distribution of a dollar spent at a Kroger Store



	2-1/8c	Rent
	5/8c	Taxes
	7/8c	Repairs and Depreciation
	3/4c	Advertising
	4-1/8c	Expenses - - Community Chest, Light, Power and various supplies.
	2-1/4c	Profit - note, this amount small in comparison to other types of business. Dividends are paid out of this 2-1/4c.

Mighty Little Profit

Undoubtedly, you are astonished to see how small a portion of the dollar spent at a Kroger Store is profit. It hardly seems believable when you see hundreds of people carrying groceries and meats from a Kroger Store, but it is a fact nevertheless.

And think of the money that *really* stays at home because folks have saved it by trading at Kroger's. This saving amounted to over \$26,000,000 in 1929. What the folks did with all this money we don't know; but we imagine that it mostly went to the local dry goods, clothing, hardware, and furniture stores. Possibly some went to the movies; some to the automobile dealers and gas stations; some to the churches; some to the savings banks and building associations.

Yes, when it comes down to the last analysis, your local Kroger Store does more than its share to keep money at home. So all the talk about Kroger taking money out of town sounds rather foolish.

QUESTION 2—*Does Kroger employ local help?*

ANSWER—Yes. Of course.

QUESTION 3—*Does Kroger pay fair wages?*

ANSWER—Yes. Wages paid to Kroger employees compare favorably with the wages paid for similar work elsewhere. If this were not so, people would not seek and retain positions with the Kroger organization. No; the low prices at Kroger Stores are not made at the expense of employees' compensation.

Kroger feels that the employees are largely responsible for the success of the company. In fact, the Kroger employees *are* the company. In a very definite sense, they are partners in the business. Not only is this true as a working principle, but it is also true in a financial way; for many Kroger employees are stockholders in the company.

QUESTION 4—*Do Kroger employees have an opportunity for advancement?*

ANSWER—When a Kroger employee shows ambition and ability, there is plenty of opportunity for advancement. A great organization like Kroger's needs men for responsible positions which pay proportionate salaries.

Take the store manager for example. He is paid a specified wage and in addition makes a commission based on sales. The amount of his income therefore depends upon his own efforts. By increasing his volume of business, he can readily better his compensation. And by showing unusual capability, he is practically assured of advancement.

A Kroger Store manager is much better off than if he attempted to operate independently. He is furnished with a location, a place of business, a stock of goods, clerical help, advertising, and every other opportunity to conduct a prosperous business. He does not risk his own capital nor assume the obligation of paying rent, taxes, insurance, etc. He has no hazard of credit risks and bad accounts. His sole duty is service to his customer.

Under such conditions, Kroger Stores offer excellent opportunities for ambitious and honest young men to go into business and prove their worth as merchants. Beyond that is the opportunity for promotion into higher positions. Any Kroger employee can aspire to the top rung in the ladder of success. It is an interesting fact that most of the present Kroger executives have come up from the ranks, having at one time held

positions in Kroger Stores.

QUESTION 5—*Does Kroger take an interest in local activities?*

ANSWER—Certainly. The Kroger Stores take as much a part in community activities as they can afford.

Kroger Stores employ local help and the employees take their normal places as citizens of the community.

Kroger Stores pay rent and taxes. They support worthy charities and community enterprises.

Recently the Chairman of the Board of the Kroger Company headed one of the largest Community Chest drives in the country, and brought it to a very successful conclusion.

The Kroger organization is always ready and willing to co-operate in such worthy movements. Our employees form organizations of their own, and solicit funds among themselves to support Community Chests and similar drives. Many are Community Chest workers.

We are members of good, live Chambers of Commerce, and support the policies and work which these bodies do.

In a great many cities, Kroger Stores have exhibited a genuine interest in education through the offer of a scholarship of \$400.00 payable to the most out-

standing scholar graduating from the high schools of those cities during each year. This scholarship is intended as an incentive to ambitious high school students, and also as a reward to that student who is most worthy.

But there is nothing added to the prices of Kroger merchandise for the sake of making gestures to curry public favor. It is the Kroger policy to omit all frills and furbelows sometimes connected with retail merchandising. Kroger Stores do not attempt to gain patronage by participating in contributions to unsound and questionable advertising schemes, so-called benefits, etc. In most towns merchants have formed organizations to protect themselves from being solicited for such donations. Our big job is to save our customers money on food products. Then, if our customers so desire, they may devote what they save at Kroger Stores to philanthropic purposes. Should this be done, the aggregate amount of money thus given in a community would doubtless far more than finance the projects which merchants are asked to support.

We emphasize again that we do cooperate in community affairs just as much as we are able, and we start this

co-operation in our own stores every day by taking less money for the service we render.

QUESTION 6—*Does Kroger pay less taxes than other merchants?*

ANSWER—No. Where Kroger owns property, it pays taxes on that property. In many cities it owns property valued at millions of dollars.

Where Kroger rents property, the tax on the property is included in the rental.

In addition it pays taxes on all merchandise carried in its stores at the same rate other grocers pay. An individual merchant may pay a larger tax because he has a larger stock of goods on hand. But he may have this larger stock because of poor business judgment or because he moves the stock at a much slower rate. Kroger should not be condemned because it keeps merchandise in a healthier condition and moves it more rapidly. If Kroger pays taxes on all the stock it carries there is no just reason to criticize it for paying too little taxes.

Furthermore, the real purpose of Kroger's is to bring to the public the foods it wants in the most efficient and cheapest way. Tax paying is not the main object of business.

QUESTION 7—*Is Kroger of any value to local banks?*

ANSWER—Yes. While it is true that Kroger does not need to borrow from local banks, it makes up for this in other ways. Kroger saves money for its customers. These savings are attracted to other channels — for merchandise from other stores, for payments on homes, for deposits in savings banks. By stimulating buying of other commodities the entire community is benefited. And what benefits the community, benefits the banks.

QUESTION 8—*Do Kroger customers have an advantage?*

ANSWER—Certainly. That is one reason why Kroger has grown from one small store to its present organization of stores throughout the Central West. And not only do Kroger Stores offer their customers advantages in the quality of their merchandise and in the price, but Kroger customers are treated right.

Kroger knows—as everybody knows—that no business could long exist by taking advantage of its customers. The Kroger organization has a definite Code of Ethics. This Code requires that Kroger employees give every customer

full sixteen ounces to the pound; that each purchase shall be exactly computed and the correct amount of change returned. This is a law with Kroger. Any employee who violates the law of honesty is summarily dismissed.

Kroger sales people are required to be patient and courteous, and to represent truthfully the quality and value of merchandise. They are instructed to be polite and helpful to children as well as adults. They will suggest suitable things for the purpose of the customer and perform any reasonable personal service which does not interfere with properly waiting upon other customers in the store.

QUESTION 9—*How much do Kroger customers save?*

ANSWER—Recently, a survey was made of the savings enjoyed by Kroger customers. Twelve basic food commodities were used. The average Kroger price on these items was compared to the average price on similar merchandise, figures which were furnished by the U. S. Department of Labor. These prices included chain stores—so they were low. On this basis, however, it is proved unquestionably that Kroger prices are at least 11

per cent lower than the average grocery store prices for food.

The merchandise used in this comparison was staple foods such as meat, potatoes, butter, fresh eggs, flour, coffee, corn, peas, tomatoes, bread, etc.

AFTER ALL—YOU ARE THE JUDGE



Most people prefer to express their independence in making purchases. They do not like to be told that they must or must not deal at certain places. Kroger Stores have never taken that attitude. Anyone who wishes to pay for unnecessary cogs in the system of distributing foods, for credit losses, slow turnover of merchandise, and for frills, will, of course, do so.

But as long as Kroger Stores continue to give maximum value at minimum price, they will remain and grow in their attraction to thrifty people.

April 1930

